

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Application of Pacific Gas and Electric Company  
To Revise Its Electric Marginal Costs, Revenue  
Allocation, and Rate Design.

(U 39 M)

Application 04-06-024  
(Filed June 17, 2004)

**ADMINISTRATIVE LAW JUDGE'S RULING ON  
WMA'S MOTION TO ADD TWO ISSUES**

The February 15, 2005 motion of the Western Manufacturing Housing Communities Association (WMA) to add two issues is denied with respect to the first issue (conversion), and granted with respect to the second issue (billing).

**1. Background**

On February 15, 2005, WMA filed a motion seeking to add two issues. On February 17, 2005, Pacific Gas and Electric Company (PG&E or applicant) filed a response in opposition to WMA's motion. On February 23, 2005, WMA filed a reply.

As stated in its reply, WMA proposes the addition of two issues:

1. Are there fair and reasonable ways to mitigate the cost to mobile home park (MHP) owners of converting existing submetered systems to directly metered service?
2. PG&E shall provide an analysis of the costs, benefits and feasibility of providing bill calculation services to MHP owners, provide examples of the appropriate tariff language and an estimate of the rates necessary to recover the full costs of such service from MHP owners.

The first issue is referred to herein as the “conversion” or “transfer” issue. The second issue is referred to as the “billing” issue.

## **2. Discussion**

For the following reasons, the first issue is not added. The second issue is added, along with a schedule for parties to serve proposed testimony.

### **2.1. Conversion Issue**

The purpose of this proceeding “is to establish just and reasonable rates on an overall, total utility-company, revenue neutral basis...by employing equitable, efficient and reasonable marginal costs, revenue allocations and rate designs.” (August 27, 2004 Scoping Memo, Attachment A, page 1.) The conversion issue is almost certainly not revenue neutral, and is, therefore, better suited for a different proceeding (such as the revenue requirement portion (Phase 1) of a general rate case (GRC)). Also, it neither involves development of, nor is sufficiently related to, applicant’s marginal costs, revenue allocations or rate designs to merit inclusion here. Therefore, the conversion issue is beyond the scope of this proceeding.

In support of adding the issue, WMA contends that “by making this issue part of this proceeding, the issue becomes more manageable...” (WMA Motion, page 2.) To the contrary, the assertion of increased manageability is not convincing. For the reasons discussed more below, the matter is complex and requires Commission “staffing and resources” that the Commission has not yet found to be available. (D.04-11-033 mimeo., page 23.)

WMA contends that “PG&E should already have forecasts of any incidental costs associated with these transfers in its revenue requirement authorization.” (WMA Reply, page 2.) Whether or not PG&E “should,” WMA does not validate its claim by showing that they were in PG&E’s revenue

requirement application (Application (A.) 02-11-017), or are in the adopted revenue requirement (Decision (D.) 04-05-055). Nor does WMA explain the remedy if those forecasts are not now in PG&E's authorized revenue requirement.

WMA states that "system transfers should be revenue neutral because PG&E is supposed to provide the master meter customers with a sufficient discount to cover PG&E's average costs of providing such service." (WMA Reply, page 2.) To the contrary, the Commission has found that "conversion...is likely to be costly." (D.04-11-033, Finding of Fact 45.) PG&E asserts that transfers could involve huge cost-shifting and changes in revenue requirements potentially costing "hundreds of millions of dollars just for PG&E." (PG&E Response, page 3.) The amount, if any, will be contentious, and is better suited for a revenue requirement proceeding.

WMA asserts that "given that these systems are on average 42 years old, they would be nearing replacement under PG&E's management." (WMA Reply, page 2.) It does not follow, however, that net conversion costs are zero (e.g., with payments from PG&E to MHP owners to buy systems less than 42 years old offset by payments from MHP owners to PG&E for PG&E to take systems more than 42 years old).

WMA also asserts that the issue "...involves much of the same cost information already presented by PG&E herein." (WMA Motion, page 2.) To the contrary, the conversion cost would appear to depend upon the just and reasonable remaining undepreciated original investment cost for the submetering system. Alternatively, it could be the just and reasonable appraised

value of used, useful and compatible facilities less the cost of new facilities.<sup>1</sup> As a result, the cost of conversion appears to relate less to the information regarding costs already presented by PG&E here, and more to the costs incurred by MHP owners, or the appraised value of the facilities.

Overall, the conversion issue involves complex factual, policy and legal matters. It may involve specific facts, or the policy of how to treat these items for public policy purposes in compliance with Pub. Util. Code §§ 2791-2799. For example, it may involve facts or policy related to: the conversion cost of facilities based on depreciated or appraised value; how discounts already paid and received may or may not have been used (i.e., toward capital costs or operation and maintenance expenses); the difference, if any, between the discount paid by PG&E based on averages and actual costs incurred by MHP owners; how much, if any, of the capital costs and/or operation and maintenance expenses have been paid by rent; how to ensure that MHP owners are not paid for the system both through discount and rents and then again through a conversion payment; and whether or not the submetering facilities are now in need of repairs, replacements or upgrading before transfer. If in need of repairs, replacements or upgrades, it may then be necessary to consider whether or not some or all of the necessary funds have already been paid to the MHP owner by the submetering customers in the form of periodic rental payments, or funds made available by PG&E via some portion of the periodic discount. If some or all of these funds have been paid or made available, there may or may not be a net “escrow” balance payable to PG&E upon the transfer.

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<sup>1</sup> Pub. Util. Code § 2793(b)(2). Appraised value less the cost of new facilities may or may not be the same as remaining undepreciated investment cost.

The Commission discussed these and other matters, and concluded that the Commission would “consider a new proceeding to address this issue only as staffing and resources allow.” (D.04-11-033, mimeo., pages 18-23, quote from page 23.) No such new proceeding has been initiated.

WMA fails to make a convincing showing that staffing and resources allow consideration of the issue here. Moreover, there are sufficient factual, policy and legal matters involving revenue requirements, and other topics unrelated to those in this case, to make this issue more appropriate for the revenue requirement phase of a GRC.

## **2.2. Billing Issue**

The Commission determined that the billing issue should be addressed in each utility’s “next revenue requirement” proceeding. (D.04-11-033, Ordering Paragraph 12.) The Commission’s adopted approach is for each utility to first inform all parties and the record with an analysis of its costs, benefits, and feasibility of providing the billing calculation services, along with examples of tariff language and an estimate of the rates necessary to recover the full costs of such services. By seeking to add this issue, WMA asks that PG&E be directed to produce its showing now.

PG&E asserts that this is neither a revenue requirement proceeding, nor its next such proceeding. PG&E says it presumes the Commission order means Phase 1 of its 2007 test year GRC. PG&E concludes that adding the issue here would not be consistent with D.04-11-033.

PG&E filed this application in June 2004, and D.04-11-033 was adopted in November 2004. PG&E is correct that D.04-11-033 refers to the next revenue requirement proceeding, and that D.04-11-033 is to be implemented prospectively.

Nonetheless, electric utilities are generally on a three year rate case cycle. If PG&E's rate design decision here is adopted in December 2005, its next such decision might be three years later, or about December 2008.<sup>2</sup> It is unclear why MHP owners should have to wait up to three years before the Commission considers this issue. Unlike the conversion issue, the billing issue does not appear to involve complex factual, policy and legal issues. There should be a reasonable way to advance consideration of the issue.

In this instance, WMA correctly argues that the billing issue should be revenue neutral. That is, the issue first requires developing the costs to provide the billing service (i.e., the revenue requirement). The next step is to develop the rates to fully recover those costs. Rate development is the fundamental purpose for this proceeding. While development of the cost (revenue requirement) for this service could wait for the next revenue requirement proceeding, it may also be done here as necessary to permit development of revenue-neutral rates and tariff language. Since hearings in this matter are not scheduled until the end of May 2005, and the decision in this proceeding is not contemplated until December 2005, it appears that there is time to consider this issue here.

In its reply, WMA states that the billing issue can be addressed for electricity only, noting that PG&E will need to offer two separate billing services (one for electricity and one for gas). Consistent with the granting of WMA's prior motion to move a gas issue to another proceeding (see January 10, 2005

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<sup>2</sup> It could be somewhat less than three years. PG&E states that it intends to file its 2007 GRC application pursuant to the schedule laid out in the Commission's Rate Case Plan (RCP; see D.89-10-040, 30 CPUC2d 576). According to PG&E, that application should be filed by December 1, 2005. Using the Commission's RCP, the final electric rate design decision would then be on day 502, or about April 17, 2007.

Ruling) along with WMA's electricity-only perspective here, this issue will be added for electricity but not gas.

Parties may serve proposed testimony consistent with the adopted schedule below. Applicant will first serve an analysis, example tariff language and estimated rates in compliance with Ordering Paragraph 12 of D.04-11-033. At the same time, applicant will also serve proposed testimony, and anything else reasonably necessary to develop this issue. The Office of Ratepayer Advocates and parties may serve proposed testimony, and all parties may serve proposed rebuttal, consistent with the adopted schedule.

**IT IS RULED** that the February 15, 2005 motion of the Western Manufacturing Housing Communities Association (WMA) to add two issues is denied with regard to the first issue (conversion) and granted with respect to the second issue (billing). The revised schedule in Attachment A is adopted, and the following issue is added:

- 3.17. For electric service, PG&E shall provide an analysis of the costs, benefits and feasibility of providing bill calculation services to mobile home park (MHP) owners who submeter, provide examples of the appropriate tariff language and an estimate of the rates necessary to recover the full costs of such service from MHP owners.

Dated February 28, 2005, at San Francisco, California.

/s/ BURTON W. MATTSON

Burton W. Mattson  
Administrative Law Judge

**REVISED SCHEDULE**  
**(February 28, 2005)**  
**A.04-06-024**

<b>Item or Event</b>	<b>Date</b>
Intervenors serve proposed direct testimony [a]	3/7
Applicant serves analysis and proposed testimony on billing service (Issue 3.17)	3/21 [r]
ORA and Intervenors serve proposed testimony on billing service (Issue 3.17)	4/11 [r]
Last day, absent good cause, to file motion to revise scope or issues	4/11 [r]
Parties serve proposed rebuttal testimony	4/26
Parties file and serve Statement of Position and PHC Statements	5/12
PHC-2 at 10:00 a.m.	5/17
Evidentiary Hearings begin	5/23
Evidentiary Hearing end	6/10
Comparison exhibit filed and served (e.g., 7 days after end of hearing)	6/17
Concurrent opening briefs filed and served (e.g., 28 days after end of hearing)	7/8
Concurrent reply briefs filed and served (e.g., 21 days after opening briefs)	7/29
Projected submission date (e.g., upon receipt of reply briefs)	7/29
Proposed decision (PD) filed and served (e.g., 90 days after submission)	10/27
Motions for Final Oral Argument (FOA—20 days after PD)	11/16
Comments on PD (20 days after PD filed)	11/16
Replies to motions for FOA (2 days after motions)	11/18
Reply Comments on PD (5 days after comments)	11/21
FOA	11/28
Commission decision adopted and mailed	12/1
Advice Letters filed and served (e.g., 5 days after mailing)	12/6
Rates effective	1/1/06

[a] Using same basic data as used by applicant in its application, and the Office of Ratepayer Advocates (ORA) in its proposed direct testimony.

[r] Revised or added date.

**(End of Attachment A)**



**CERTIFICATE OF SERVICE**

I certify that I have by mail, and by electronic mail to the parties to which an electronic mail address has been provided, this day served a true copy of the original attached Administrative Law Judge's Ruling on WMA's Motion to Add Two Issues on all parties of record in this proceeding or their attorneys of record.

Dated February 28, 2005, at San Francisco, California.

/s/ ELIZABETH LEWIS

Elizabeth Lewis

**N O T I C E**

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

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